

1 PAUL B. LACKEY, ESQ.
2 Texas Bar No.: 00791061
3 MICHAEL AIGEN, ESQ.
4 Texas Bar No.: 24012196
5 ROSS MORTILLARO, ESQ.
6 Texas Bar No.: 24027531
LACKEY HERSHMAN, LLP
3102 Oak Lawn Ave., Ste. 700
Dallas, Texas 75219
Phone: (214) 560-2201

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8 CiCi CUNNINGHAM, ESQ.
9 Nevada Bar No.: 4960
JAMES A.KOHL, ESQ.
Nevada Bar No.: 5692
0 RAWLINGS, OLSON, CANNON,
GORMLEY & DESRUISSEAUX
1 9950 West Cheyenne Avenue
Las Vegas, NV 89129
2 Phone: (702) 384-4012
3 Fax: (702) 383-0701
Email: bankruptcy@rocgd.com
4 Attorneys for Creditors,
Prospect High Income Fund,
5 ML CBO IV (Cayman) Ltd.,
PAMCO Cayman, Ltd.,
6 PAM Capital Funding, L.P.,
Highland Crusader Fund, Ltd.,
7 and PCMG Trading Partners XXII, L.

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

20 In re:) CASE NO.: BK-S-06-10725-LBR
21 USA COMMERCIAL MORTGAGE COMPANY,) CASE NO.: BK-S-06-10726-LBR
22) CASE NO.: BK-S-06-10727-LBR
23 Debtor.
In re:) CASE NO.: BK-S-06-10728-LBR
24 USA CAPITAL REALTY ADVISORS, LLC,) CASE NO.: BK-S-06-10729-LBR
25)
26 Debtor.
In re:) Chapter 11
27 USA CAPITAL DIVERSIFIED TRUST DEED FUND,)
28 LLC,) Jointly Administered Under
29) Case No. BK-S-6-10725-LBR
30 Debtor.
In re:)
31 USA CAPITAL FIRST TRUST DEED FUND, LLC,) APPEAL REF: 06-22
32)
33 Debtor.
In re:) BAP NO:
34 USA SECURITIES, LLC,)
35)
36 Debtor.
37)

1 PROSPECT HIGH INCOME FUND,)
2 ML CBO IV (CAYMAN) LTD.,)
3 PAMCO CAYMAN, LTD.,)
4 PAM CAPITAL FUNDING, L.P.,)
5 HIGHLAND CRUSADER FUND, LTD.,)
6 AND PCMG TRADING PARTNERS XXII, L.P.)
7
8 Appellants,) **HEARING:**
9 vs.) Date: N/A
10) Time: N/A
11
12 USA CAPITAL DIVERSIFIED TRUST DEED FUND,)
13 LLC, and OFFICIAL COMMITTEE OF EQUITY)
14 SECURITY HOLDERS OF USA CAPITAL)
15 DIVERSIFIED TRUST DEED FUND LLC)
16 Appellees.)

**APPELLANTS' STATEMENT OF ISSUE AND
DESIGNATION OF RECORD ON APPEAL**

Pursuant to Federal Rule of Bankruptcy Procedure 8006 and Local Rule 8006, Appellants
Prospect High Income Fund, ML CBO IV (Cayman) Ltd., Pamco Cayman, Ltd., Pam Capital
Funding, L.P., Highland Crusader Fund, Ltd., and PCMG Trading Partners XXII, L.P. (the
“Highland Funds”) file this Statement of Issue and Designation of Record on Appeal for Case
No. BK-S-06-10727 LBR (Jointly Administered Under Case No. BK-S-06-10725 LBR), Appeal
Ref. No. 06-22, as follows:

1

STATEMENT OF ISSUE ON APPEAL

21 Whether the Bankruptcy Court erred in sustaining, in its entirety, the Diversified Trust
22 Deed Fund Committee's Objection to the Proof of Claim filed by the Highland Funds in Case
23 No. BK-S-06-10727 LBR (jointly administered under Case No. BK-S-06-10725).

II.

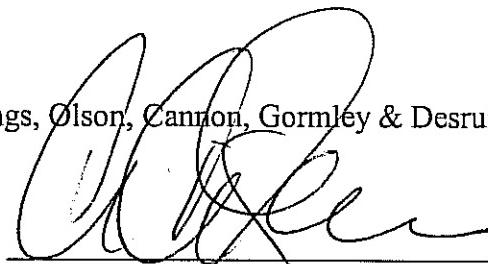
DESIGNATION OF THE RECORD ON APPEAL

3. Declaration of Bob L. Olson in Support of Diversified Deed Trust's Objection to Proof of Claim filed by Prospect High Income Fund (with attachments) (Docket # 1323);
4. The Highland Fund's Opposition to Diversified Trust Deed Fund Committee's Objection to Proof of Claim (Docket # 1442);
5. Declaration of Michael P. Aigen (with attachments) (Docket # 1446);
6. Declaration of Davis Deadman (Docket # 1445);
7. Diversified Fund Committee's Reply to Highland Funds' Opposition to Diversified Trust Deed Fund Committee's Objection to Proof of Claim (Docket # 1515);
8. Supplemental Declaration of Bob L. Olson in Support of Diversified Deed Trust's Objection to Proof of Claim filed by Prospect High Income Fund (with attachments) (Docket # 1517);
9. Joinder by USA Capital to Diversified Trust Deed Fund's Objection to Proof of Claim Filed By Prospect High Income Fund (Docket # 1568);
10. Order Disallowing the Proof of Claim Filed by Prospect High Income Fund Against All Debtors (Docket # 1674) (*See* Copy of Order attached hereto and incorporated herein by reference as Exhibit "1".);
11. Transcript of Hearing regarding Objection to Claim heard on October 19, 2006 at 9:30 a.m. (To Be Provided When Available.); and
12. Notice of Appeal (Docket #1717).

DATED this 9th day of November, 2006.

Rawlings, Olson, Cannon, Gormley & Desruisseaux

By:



CiCi CUNNINGHAM 4960

JAMES A. KOHL 5692

RAWLINGS, OLSON, CANNON, GORMLEY &
DESRUISEAUX

9950 West Cheyenne Ave
Las Vegas, Nevada 89129

PAUL B. LACKEY
Texas Bar No. 00791061

MICHAEL P. AIGEN
Texas Bar No. 24012196
LACKEY HERSHMAN, L.L.P.
3102 Oak Lawn Avenue, #777
Dallas, Texas 75219

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 9th day of November, 2006, I served a true and correct copy of the foregoing Appellants' Statement of Issue and Designation of Record on Appeal via facsimile and first class mail to the following:

Annette W. Jarvis, Esq.
Ray Quinney & Nebeker, P.C.
P.O. Box 45385
Salt Lake City, UT 84145-0385
Fax: (801) 532-7543

Lenard E. Schwartzer, Esq.
Jeanette McPherson, Esq.
Schwartzer & McPherson Law Firm
2850 South Jones Blvd., Suite 1
Las Vegas, NV 89146-5308
Fax: (702) 892-0122

Bob L. Olson, Esq.
Anne M. Loraditch, Esq.
Beckley Singleton, Chtd.
530 S. Las Vegas Blvd. South
Las Vegas, NV 89101
Fax: (702) 385-5024

Jina Goddard

Tina Goddard, an employee of Rawlings, Olson, Cannon, Gormley & Desruisseaux

EXHIBIT 1



Entered on Docket
October 26, 2006

Hon. Linda B. Riegle
United States Bankruptcy Judge

Bob L. Olson, Esq. (Nevada Bar No. 3783)
Anne M. Loraditch (Nevada Bar No. 8164)
BECKLEY SINGLETON, CHTD.
530 Las Vegas Boulevard South
Las Vegas, NV 89101
Telephone: (702) 385-3373
Facsimile: (702) 385-5024
Email: bolson@beckleylaw.com; aloraditch@beckleylaw.com

*Attorneys for the Official Committee of Equity
Security Holders of USA Capital Diversified
Trust Deed Fund, LLC*

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

In re:
USA COMMERCIAL MORTGAGE COMPANY,
Debtor.

Case No. BK-S-06-10725 LBR
Case No. BK-S-06-10726 LBR
Case No. BK-S-06-10727 LBR
Case No. BK-S-06-10728 LBR
Case No. BK-S-06-10729 LBR

In re:
USA CAPITAL REALTY ADVISORS, LLC,
Debtor.

Chapter 11

In re:
USA CAPITAL DIVERSIFIED TRUST DEED
FUND, LLC,
Debtor.

Jointly Administered Under
Case No. BK-S-06-10725-LBR

In re:
USA CAPITAL FIRST TRUST DEED FUND, LLC,
Debtor.

Date: October 19, 2006

Time: 9:30 a.m.

Place: Courtroom #1

(Affects indicated Debtors)

Affects:

- All Debtors
- USA Commercial Mortgage Company
- USA Securities, LLC
- USA Capital Realty Advisors, LLC
- USA Capital Diversified Trust Deed Fund, LLC
- USA First Trust Deed Fund, LLC

1 **ORDER DISALLOWING THE PROOF OF CLAIM FILED BY PROSPECT HIGH**
 2 **INCOME FUND, ET AL., AGAINST ALL DEBTORS**

3 This Court, having read and considered Diversified Trust Deed Fund Committee's
 4 Objection to Proof of Claim filed by Prospect High Income Fund et al. ("Objection"), having read
 5 and considered the Highland Fund's Opposition to Diversified Trust Deed Fund Committee's
 6 Objection to Proof of Claim ("Opposition"), having read and considered the Reply to Highland
 7 Funds' Opposition to Diversified Trust Deed Fund Committee's Objection to Proof of Claim
 8 ("Reply"), having heard and considered the oral argument of counsel with Bob L. Olson, Esq. of
 9 the law firm of Beckley Singleton, Chtd., appearing on the behalf of the Official Committee of
 10 Equity Security Holders of USA Capital Diversified Trust Deed Fund, with Lenard Schwartzer,
 11 Esq. of the law firm of Schwartzer & McPherson appearing on behalf of the Debtors, and with CiCi
 12 Cunningham, Esq. of the law firm of Rawlings, Olson, Cannon, Gromley & Desruisseaux and Paul
 13 B. Lackey, Esq. and Michael P. Aigen, Esq., of the law firm of Lackey Hershman, LLP, appearing
 14 on the behalf of the Highland Funds, having made its findings of fact and conclusions of law on the
 15 record pursuant to F.R.B.P. 7052 and F.R.C.P. 52, and with good cause appearing therefor:

16 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** that the Objection is
 17 sustained in its entirety and that all the Proofs of Claim that Prospect High Income Fund, ML CBO
 18 IV (Cayman), Ltd., PAMCO Cayman, Ltd., PAM Capital Funding, L.P. Highland Crusader Fund,
 19 Ltd., and PCMG Trading Partners XXIII, L.P. (collectively the "Highland Funds") filed in all of
 20 the Debtors' cases are disallowed in their entirety and with prejudice. Those claims include, but are
 21 not limited to, Claim No. 26 in the amount of \$20,000,000 filed in the USA Commercial Mortgage
 22 Company case, Claim No. 17 in the amount of \$20,000,000 filed in the USA Capital Realty

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1 Advisors case, Claim No. 20 in the amount of \$20,000,000 filed in the USA Capital Diversified
2 Trust Deed Fund case, Claim No. 16 in the amount of \$20,000,000 filed in the USA Capital First
3 Trust Deed Fund case, and Claim No. 14 in the amount of \$20,000,000 filed in the USA Securities
4 case.

5
6 BECKLEY SINGLETON, CHTD.

7 By: 
8

9 BOB L. OLSON, ESQ.
10 ANNE M. LORADITCH, ESQ.
11 530 Las Vegas Boulevard South
Las Vegas, NV 89101

12 *Special Nevada Counsel for the Official
Committee of Equity Security Holders of
USA Capital Diversified Trust Deed
Fund, LLC*

13 APPROVED/DISAPPROVED

14 APPROVED/DISAPPROVED

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16
17 CiCi CUNNINGHAM, ESQ.
18 9950 West Cheyenne Avenue
19 Las Vegas, NV 89129

20 LENARD SCHWARTZER, ESQ.
21 2850 South Jones Blvd. #1
Las Vegas, NV 89146

22 *Attorneys for Prospect High Income
Fund, ML CBO IV (Cayman), Ltd.,
PAMCO Cayman, Ltd.,
PAM Capital Funding, L.P.
Highland Crusader Fund, Ltd.
and PCMG Trading Partners XXIII, L.P.*

23 *Attorneys for Debtors*

RULE 9021 DECLARATION

In accordance with Local Rule 9021, the undersigned certifies:

- The Court waived the requirements of LR 9021.

I have delivered a copy of this proposed order to all attorneys and unrepresented parties who appeared at the hearing regarding this matter and/or who filed a written objection and each has:

approved the form of this order; and/or

waived the right to review the order; and/or

failed to file and serve papers in accordance with LR 9021(c); and
the following have disapproved the form of the order:

n/a

- No opposition was filed to the motion and no other party or counsel appeared at the hearing.

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1 Advisors case, Claim No. 20 in the amount of \$20,000,000 filed in the USA Capital Diversified
2 Trust Deed Fund case, Claim No. 16 in the amount of \$20,000,000 filed in the USA Capital First
3 Trust Deed Fund case, and Claim No. 14 in the amount of \$20,000,000 filed in the USA Securities
4 case.

5
6 BECKLEY SINGLETON, CHTD.
7
8 By: _____
9 BOB L. OLSON, ESQ.
10 ANNE M. LORADITCH, ESQ.
11 530 Las Vegas Boulevard South
Las Vegas, NV 89101
12 Special Nevada Counsel for the Official
Committee of Equity Security Holders of
13 USA Capital Diversified Trust Deed
Fund, LLC
14
15
16
17 APPROVED/DISAPPROVED
18
19
20 CICI CUNNINGHAM, ESQ.
9950 West Cheyenne Avenue
21 Las Vegas, NV 89129
22 Attorneys for Prospect High Income
Fund, ML CBO IV (Cayman), Ltd.,
PAMCO Cayman, Ltd.,
PAM Capital Funding, L.P.,
Highland Crusader Fund, Ltd.,
and PCMG Trading Partners XXXIII, L.P.
23
24
25
26
27
28

APPROVED/DISAPPROVED

LENARD SCHWARTZER, ESQ.
2850 South Jones Blvd, #1
Las Vegas, NV 89146

Attorneys for Debtors

1 Advisors case, Claim No. 20 in the amount of \$20,000,000 filed in the USA Capital Diversified
2 Trust Deed Fund case, Claim No. 16 in the amount of \$20,000,000 filed in the USA Capital First
3 Trust Deed Fund case, and Claim No. 14 in the amount of \$20,000,000 filed in the USA Securities
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6 BECKLEY SINGLETON, CHTD.

7

8

By:

BOB L. OLSON, ESQ.
ANNE M. LORADITCH, ESQ.
530 Las Vegas Boulevard South
Las Vegas, NV 89101

Special Nevada Counsel for the Official
Committee of Equity Security Holders of
USA Capital Diversified Trust Deed
Fund, LLC

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APPROVED/DISAPPROVED

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19

20

CiCi CUNNINGHAM, ESQ.
9950 West Cheyenne Avenue
Las Vegas, NV 89129

22

23

24

Attorneys for Prospect High Income
Fund, ML CBO IV (Cayman), Ltd.,
PAMCO Cayman, Ltd.,
PAM Capital Funding, L.P.,
Highland Crusader Fund, Ltd.,
and PCMG Trading Partners XXIII, L.P.

25

26

27

28

APPROVED/DISAPPROVED

LENARD SCHWARTZER, ESQ.
2850 South Jones Blvd. #1
Las Vegas, NV 89146

Attorneys for Debtors